

**Iowa Department of Natural Resources
Environmental Protection Commission**

ITEM

6

DECISION

TOPIC

Air Quality - Title V Fee SFY 2009 Budget

The Commission is asked to approve the attached Title V Operating Permit budget establishing the annual Title V fee at \$39.00 per ton air pollution emitted from Title V Operating Permit subject sources. This \$3.80 per ton increase from the current fiscal year is to accommodate personnel and program increases.

A Title V operating permit is required for those facilities with potential emissions that exceed the major stationary source thresholds. A major stationary source is a facility that has the potential to emit 100 tons per year (tpy) or more of any air pollutant; or the potential to emit 10 tpy or more of any individual hazardous air pollutant; or the potential to emit 25 tpy or more of any combination of hazardous air pollutants. Currently Iowa has approximately 280 major stationary sources, also referred to as Title V facilities. Examples of Title V facilities include electric utilities, grain processors, cement plants, and manufacturing operations.

The Title V fee is based on the first 4,000 tons of each regulated air pollutant emitted each year from each major stationary source in the state. Regulated pollutants include: particulate matter less than 10 micrometers in diameter (PM₁₀) and particulate matter less than 2.5 micrometers in diameter (PM_{2.5}), sulfur dioxide (SO₂), nitrogen oxides (NO_x), volatile organic compounds (VOC), lead (Pb), and hazardous air pollutants (HAP). The fee is used to support the development and administration of activities associated with major sources subject to the Title V Operating Permit Program.

Annually on March 31, sources required to obtain Title V Operating Permits submit to the department annual emissions statements for the previous calendar year. The Department totals these emissions and provides that information to the Commission no later than the May meeting. The Commission will then be asked to set the fee based on the program budget.

Air Quality Funding Sources and Cost Centers - The Air Quality Bureau budget is divided into two primary areas: Air Quality Program and Air Title V Program. Expenditures are divided between multiple expenditure (cost center) accounts and a variety of funding sources as listed in Table 1. The attached spreadsheet consolidates the cost centers into the two primary areas to reflect the total program.

Clean Air Act (CAA) section 105 money is awarded to the department through a Performance Partnership Grant (PPG) with the EPA. The PPG is the financial component of the Performance Partnership Agreement (PPA). The department negotiates the PPG on an annual cycle while the

PPA is negotiated on a two-year cycle. The PPA contains the mutually agreed upon goals that the EPA and DNR will work together to achieve during the two year agreement period. For air quality, the tasks that must be accomplished to achieve the agreed upon goals are contained in the 105 work plan, which is an attachment to the PPA. As indicated in the chart below, CAA section 105 funds require state matching dollars whereas CAA section 103 funds do not. No Title V money is included in the PPG.

Table1. Summary of Cost Centers and Funding Sources

Program Area	Expenditures (Cost Center)	Funding Source*
Air Title V includes		
Legal Services	1430	TV Fees
Title V Information & Education	1556	TV Fees
IT Support	3520	TV Fees
Title V Operating Permit Program	7230	TV Fees
Title V Field Program	7421	TV Fees
Air Quality Program includes:		
IT Support	3510	CAA 105 & GF
Air Quality central office base program	7220	CAA 105 & GF
PM 2.5 Monitoring network	7240	CAA 103
Ambient Air Monitoring (Env. First)	7250	GF
Air Quality field office base program	7419	CAA 105 & GF
Infrastructure Request	New	Proposed GF

- * TV Fees – Title V fees
CAA 105 – Clean Air Act section 105 grant with a state match required
CAA 103 – Clean Air Act section 103 grant with no state match required
GF – Legislatively appropriated General Funds or other state funds
Proposed GF – Proposed legislation for greenhouse gas funding & biofuels permitting

Ambient Air Monitoring Changes- Significant changes are anticipated in the ambient monitoring program for particulate matter that is 2.5 microns or smaller (PM 2.5) and for ozone. New federal ambient air quality standards have been promulgated. New equipment will be needed to meet the specifications of the new standard. A multiyear replacement schedule has been created for the new equipment. EPA is also likely to discontinue funding the laboratory analysis for PM 2.5. A combination of CAA 105 money with general fund match, infrastructure money, and Title V fees will be used to meet the monitoring network needs and to offset the possible loss of laboratory analysis funding.

Carryover Funds - The Bureau has been working each year since the program's inception to develop a budget that more accurately reflects the amount of funding required to implement the Title V program. In past years, the Air Quality Bureau budget was planned with approximately a one percent reserve. This was considered to be an adequate margin to offset factors such as higher than expected expenses, changes in the actual emissions reported, and reimbursement of fees to companies that may have over paid Title V fees in previous years. However, the carry over funds have accumulated each year to an amount greater than 1%. The Bureau has included measures in the budget to reduce the amount that will be carried over into SFY 2010. The

measures include adjustments to the projected carryover funds that account for normal staff turnover and the resulting vacancies that occur during a typical state fiscal year.

Title V Budget Changes – The department met with a representative group of the core Title V fee payers on January 24, 2008. The department proposed a \$39.00 fee based on an estimate of 229,000 tons. The fee payers reviewed the draft budget and the need for additional staff was discussed. The tonnage amount was 5,000 tons lower than anticipated in January. The reduced tonnage does not allow for additional positions under the Title V budget at this time.

Details on where changes to the budget are being proposed are listed in the attached spreadsheet in the “Notes” column.

1. Personnel and indirect costs: Personnel costs will increase by 4.3% based on estimates provided by the Department of Management. The indirect costs will increase from 13.38 percent to 13.77 percent in SFY 2009.
2. Professional Services:
 - The Linn and Polk County Local Air Quality Programs have increased personnel and benefits costs.
 - The UHL contract amount reflects an increase due to increased personnel costs and to accommodate changes in the ambient monitoring program requirements.
 - The UNI small business assistance agreement amount reflects an increase to cover increases in personnel costs and the short term grain elevator permitting support.
 - An expense for laboratory analysis related to PM 2.5 has also been added. This expense was previously provided by EPA.

Total Title V Fund expenditures are proposed to be increased from the current SFY 2008 budget levels by over 11% or \$1,200,000 in the SFY 2009 budget. The fee is proposed to increase by 10.8%, from \$35.20 per ton to \$39.00 per ton. Note that \$39.00 per ton is the current fee cap that is established in 567 IAC Chapter 22. The department plans to initiate a rulemaking later this year to raise the fee cap in anticipation of the SFY 2010 - 2014 budget needs.

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Environment Services Division

Memo date: April 21, 2008

Air Quality Bureau
Title V Budget for SFY 2009

Cost Center & Expenditure Category	SFY 2007 Actuals	SFY 2008 Budget	Draft SFY 2009 Budget	Difference 2009-2008	Notes
Title V cost Centers (1430, 1556, 3520, 7230, & 7421)	63.00	62.00	64.25		
Personnel	4,243,474	4,872,159	5,315,055	442,897	Increased effort on major source activities
Travel in state	15,200	21,800	18,800	-3,000	
State Vehicle	15,056	15,700	15,700	0	
Depreciation	16,875	20,900	20,900	0	
Travel out of state	46,420	50,000	29,000	-21,000	
Office supplies	19,975	25,500	23,500	-2,000	
Facility maintenance supplies	24	1,500	1,500	0	
Equipment maintenance	21,253	17,000	10,000	-7,000	
Other supplies	4,243	4,000	4,000	0	
Printing and binding	1,203	4,050	1,550	-2,500	
Uniforms	1,560	2,000	2,000	0	
Postage	9,382	11,000	11,000	0	
Communications	61,618	72,000	72,000	0	
Rental	154,177	158,000	158,000	0	
Utilities	19,213	22,000	22,000	0	
Professional Services (Total)	2,492,501	2,719,000	3,379,000	660,000	
Computer Consultant Services	[0]	[100,000]	[0]	-[100,000]	Work to be completed by staff
Linn County local program agreement	[502,369]	[552,660]	[581,494]	[28,834]	
Polk County local program agreement	[464,500]	[515,913]	[540,261]	[24,348]	
Environmental Liaison	[92,223]	[50,000]	[50,000]	[0]	
UNI Small Business Assistance agreement	[439,601]	[461,580]	[550,000]	[88,420]	
UHL Agreement	[943,542]	[944,051]	[1,384,089]	[440,038]	
Attorney General's Office	[30,000]	[30,000]	[30,000]	[0]	
Other	[19,050]	[796]	[156]	-[640]	
Lab Analysis (former EPA lab)	[0]	[58,000]	[237,000]	[179,000]	Expense formerly funded by EPA
Professional Services (Field Office)	1,215	6,000	6,000	0	
Outside services (Total)	65,732	58,500	78,500	20,000	
Misc.	[5,001]	[2,500]	[2,500]	[0]	
Computer maintenance	[0]	[0]	[0]	[0]	
Filter replacement and Misc.	[3,894]	[8,000]	[8,000]	[0]	
Temporary Services	[8,275]	[0]	[0]	[0]	
Interagency Delivery	[2,372]	[3,000]	[3,000]	[0]	
Merit Resources Positions	[0]	[0]	[0]	[0]	
Image Scanning	[46,190]	[45,000]	[65,000]	[20,000]	Increased frequency
Advertisement in publications	3,824	3,000	3,000	0	
Reimbursement to other agencies	9,228	16,250	12,750	-3,500	
ITS Reimbursement	0	0	0	0	
Equipment (Total)	403,681	351,000	381,000	30,000	
Air monitoring equipment	[369,963]	[225,000]	[267,000]	[42,000]	
Computer hardware purchase	[33,718]	[126,000]	[114,000]	-[12,000]	
Equipment Noninv.	79,297	46,500	58,500	12,000	
Other expenses	11,838	12,025	12,200	175	
Indirect charges	506,912	634,517	712,568	78,051	
Total	8,202,684	9,138,401	10,342,523	1,204,122	
Title V					
Total Revenue	9,342,919	9,396,020	10,342,811	946,792	
Balance forward	[1,060,125]	[1,140,235]	[1,380,761]	[240,527]	
Title V fees	[7,935,167]	[8,064,491]	[8,736,000]	[671,509]	
annual tons (est.)	242,295	229,105	224,000	-5,105	
\$/ton	32.75	35.20	39.00	3.80	9.7%
Fund interest	[320,162]	[185,000]	[230,000]	[45,000]	10.8%
Under and Over Payments	[27,464]	[6,294]	-[3,950]	-[10,244]	
Total Expenditures	8,202,684	9,138,401	10,342,523	1,204,122	11.6%
Legal Services (1430) Total	[118,892]	[129,882]	[140,273]	[10,391]	
Air Title V - I&E (1556) Total	[53,236]	[57,487]	[87,823]	[30,337]	
Air Title V - IT (3520)	[383,914]	[367,658]	[382,197]	[14,539]	
Air Title V Program (7230) Total	[7,053,903]	[7,956,268]	[9,073,224]	[1,116,956]	
Air Title V Field Program (7421) Total	[592,739]	[627,106]	[659,006]	[31,900]	
Revenues - Expenditures	1,140,235	257,619	288	-257,331	

Air Quality Bureau
Non-Title V Budget
SFY 2009

Cost Center & Expenditure Category	SFY 2007 Actuals	SFY 2008 Budget	Draft SFY 2009 Budget	Difference 2009-2008	Notes
PPG/Grant cost centers (7210, 7220, 7240, 7250, 7419, 17HA, AFO)	17.50	18.50	20.25		
Personnel	1,518,804	1,418,190	1,533,068	114,878	Includes FTEs from legislative items
Travel in state	6,684	10,400	12,400	2,000	
State vehicle operation	4,167	4,500	4,500	0	
Vehicle depreciation	4,640	5,000	5,000	0	
Travel out of state	11,607	11,800	10,800	-1,000	
Office supplies	3,019	7,700	7,700	0	
Facility maintenance	226	300	300	0	
Equipment maintenance	7,133	6,000	6,000	0	
Other supplies	395	300	300	0	
Printing and binding	1,581	3,050	1,550	-1,500	
Uniforms	182	1,000	1,000	0	
Postage	3,197	4,000	4,000	0	
Communications	12,590	22,000	17,000	-5,000	
Rental	51,380	52,000	52,500	500	
Monitoring Utilities	8,298	20,000	10,000	-10,000	
Professional Services (Total)	1,194,839	1,515,598	1,100,000	-415,598	
Blue Skyways/CTRE	0	112,598	0	-[112,598]	One-time grant
Linn County Local Program Agreement	[162,222]	[144,152]	[144,152]	[0]	
Polk County Local Program Agreement	[183,791]	[191,038]	[191,038]	[0]	
UHL Agreement	[845,738]	[981,814]	[760,773]	-[221,041]	
Other	[3,088]	[3,656]	[3,697]	[41]	
Lab Analysis (former EPA lab)	[0]	[82,340]	[340]	-[82,000]	
Outside services (Total)	35,154	61,000	55,000	-6,000	
Filter replacement and Misc.	[19,433]	[45,000]	[45,000]	[0]	
Interagency Delivery	[1,922]	[1,000]	[1,000]	[0]	
Temporary Services	[2,758]	[0]	[0]	[0]	
Image Scanning	[11,041]	[15,000]	[9,000]	-[6,000]	
Advertisement in publications	0	500	500	0	
Reimbursement to other agencies	5,545	3,600	4,734	1,134	
ITS Reimbursement	0	0	0	0	
Equipment (Total)	9,678	390,400	375,400	-15,000	
Computer hardware purchase	[9,678]	[37,400]	[33,400]	-[4,000]	
Air monitoring equipment	[0]	[353,000]	[342,000]	-[11,000]	
Equipment Noninv.	20,632	14,100	20,100	6,000	
Other expenses	0	0	0	0	
Indirect charges	186,661	189,754	211,103	21,350	
Total	3,086,410	3,741,192	3,432,956	-308,236	
PPG (Federal Grant & Match)					
Total Revenue	3,080,922	3,743,455	3,433,572	-309,883	
General Fund	[1,288,000]	[1,288,000]	[1,288,000]	0	
Infrastructure Request	[275,000]	[560,000]	[565,000]	5,000	
Federal grants	[1,490,922]	[1,324,357]	[1,061,572]	-262,785	Lower grant amount anticipated
Last Quarter of Previous SFY 07	[277,700]	[262,840]	[279,145]	16,305	
First Three Quarters of SFY08	[758,654]	[777,265]	[782,427]	5,162	
Transition to PPG: former 103 funds	[0]	[284,252]	[0]	-284,252	
103 Funds	[454,569]	[455,000]	[444,000]	-11,000	
Pass through (CenSARA)	[0]	[116,098]	[0]	-116,098	One-time grant
Performance Partnership Grant (PPG)	[27,000]	[0]	[75,000]	75,000	
Total Expenditures	3,106,682	3,741,192	3,432,956	-308,236	
PPG IT (3510) Total	[0]	[28,556]	[0]	-[28,556]	
BlueSkyWays Grant (7210)	[0]	[115,999]	[0]	-[115,999]	
Air Quality Program (7220) Total	[2,104,106]	[2,300,257]	[2,051,428]	-[248,829]	
PM 2.5 Monitoring (7240) Total	[454,004]	[455,000]	[444,000]	-[11,000]	
Ambient Monitoring - Env First (7250)	[0]	[325,000]	[325,000]	[0]	
Infrastructure Activities (NEW)	[0]	[0]	[240,000]	[240,000]	
Space for possible addition	[0]	[0]	[0]	[0]	
Air Quality Field Program (7419) Total	[313,573]	[281,380]	[372,527]	[91,148]	
Livestock Air Monitoring	[234,999]	[235,000]	[0]	-[235,000]	
Revenues - Expenditures	-25,760	2,264	616	-1,647	